Dodge & Cox Stock Fund (DODGX)

June 30, 2002

Objective The Fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income.

Strategy The Fund invests primarily in a broadly diversified portfolio of common stocks. In selecting investments, the Fund invests in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow and dividends. Companies are also selected with an emphasis on financial strength and sound economic condition.

Benefits

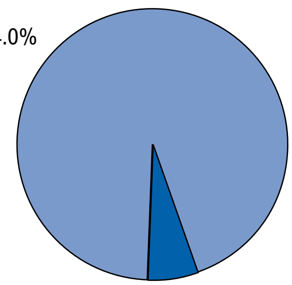
- A simple, low-cost way to own a broadly diversified portfolio of stocks
- Low expenses, No-Load Fund, No 12b-1 plan charges

General Information

Net Asset Value Per Share	$98.10
Total Net Assets (millions)	$12,642
2001 Expense Ratio	0.54%
2001 Portfolio Turnover	10%
30-Day SEC Yield[1]	1.59%
Fund Inception Date	1965

Investment Manager: Dodge & Cox, San Francisco. Managed by the Investment Policy Committee, whose ten members' average tenure at Dodge & Cox is 21 years.

Asset Allocation



Stock Characteristics

Stock Characteristics	Fund	S&P 500
Number of Stocks	80	500
Median Market Capitalization (billions)	$10	$8
Weighted-Average Market Cap. (billions)	$20	$85
Price-to-Earnings Ratio[2]	18x	22x
Price-to-Book Value	1.9x	3.2x
Foreign Stocks[3] (% of Fund)	11%	2%

Ten Largest Holdings

Ten Largest Holdings	% of Fund
AT&T	3.6
Dow Chemical	3.0
Golden West Financial	2.7
Bank One	2.7
Union Pacific	2.5
Schering-Plough	2.4
FedEx	2.3
Phillips Petroleum	2.3
News Corp. Ltd., ADR	2.0
Occidental Petroleum	2.0

Sector Diversification (%)

Sector Diversification (%)	Fund	S&P 500
Financials	18.3%	19.9%
Consumer Discretionary	14.2	13.5
Industrials	12.8	11.0
Materials	12.8	3.2
Energy	10.8	7.6
Information Technology	8.7	14.0
Health Care	7.0	13.8
Utilities	3.9	3.1
Telecommunication Services	3.6	4.1
Consumer Staples	1.9	9.9

[1] An annualization of the Fund's total net investment income per share for the 30-day period ended on the last day of the month.

[2] The Fund's price-to-earnings (P/E) ratio is calculated using Dodge & Cox's estimated forward earnings and excludes extraordinary items. The S&P 500's P/E ratio is calculated by Standard & Poor's and uses an aggregated estimate of forward earnings.

[3] All U.S. dollar-denominated.

See other side

Average Annual Total Return*

For periods ended June 30, 2002	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Stock Fund	–0.71%	7.23%	11.47%	16.11%	17.23%
S&P 500	–17.95	–9.16	3.68	11.43	14.90

The Dodge & Cox Stock Fund had a negative return of –6.2% for the second quarter of 2002, compared to a negative return of –13.4% for the Standard & Poor's 500 Index (S&P 500)*. Year-to-date the Fund had a negative return of –1.6%, compared to –13.2% for the S&P 500. At quarter end the Fund had total assets of approximately $12.6 billion and a cash position of 6%.

While the Stock Fund continued its strong performance relative to the S&P 500 during the quarter, the broad market decline has now begun to drag down its absolute returns. For the period between December 31, 1994 and March 31, 2000 the S&P 500 had an average annual return of 27.6%. The result was the largest equity speculation in U.S. history. A tremendous valuation gap opened between technology/communications companies and those companies that the consensus thought had mundane, limited prospects. The Stock Fund was primarily invested in these so-called ''old economy'' stocks that had significantly lower valuations. Over the past two years, the valuation gap between these two areas of the market has narrowed significantly, and as a result the Stock Fund has posted returns well ahead of the S&P 500. More recently however, market declines have been across all sectors—the Fund has not been immune and has begun to participate in the bear market.

While the Fund's return for the quarter was negative, as noted, it was stronger than that of the S&P 500. The sources of the Fund's strong performance relative to the S&P 500 during the second quarter were broader than they have been in the recent past. Whereas, the Fund's underweight position and strong stock selections in the information technology sector were the primary drivers behind strong returns over the past two years, this quarter the three primary contributors were holdings in the industrials, financials and materials sectors. In a market in which every sector in the S&P 500 posted negative returns, the Fund ''benefited'' from:

- Good stock selection in the industrials sector, where the Fund's holdings were down 3% compared to those in the S&P 500 which lost 14% of their value. Individual contributors include Deere (up 6%) and Union Pacific (up 2%).
- Good stock selection again in the financials sector where the Fund's holdings were down 2%, while those in the broad market lost 7%. Outperformers in this area include Golden West Financial (up 8%) and Wachovia (up 4%).
- A much higher weighting (13% vs. 3%) than the S&P 500 in the materials sector, which was down slightly, but outperformed the benchmark. Dow Chemical, which was up 6% was the strongest performer in this area of the Fund.

Additional strong performers in the Fund included two foreign companies, Matsushita (up 12%) and Unilever (up 16%), and a healthcare services company, WellPoint Health Networks (up 22%). Weak performers during the quarter included AT&T (down 32%) and Xerox (down 35%). As always, we do not attach much importance to short-term performance, whether it be positive or negative. We use a three-to-five year time horizon when we evaluate the Fund's investments, and we encourage the Fund's shareholders to do the same.

As valuations have dropped, often precipitously, we have found the opportunity to re-enter businesses that we believe have excellent long-term prospects. Our economic world has been and will continue to be transformed by rapid technological change. By the first half of 2000, equity markets had gotten too excited about the profitability of companies engaged in technology. In 2002, as the hangover from the growth stock speculation lengthens, we are taking the opportunity to expand the Fund's portfolio position in the information technology, telecommunication, and healthcare sectors. However, what goes up too high more often than not goes down too low, so we have been entering these areas at a slow pace.

For further review of the Fund's performance and long-term investment strategy, visit www.**dodge**and**cox**.com and download the Fund's Semi-Annual Report to shareholders, which will be available online in August.

July, 2002

* The S&P 500 is a widely recognized, unmanaged index of common stock prices. The Fund's total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable on these distributions. Index returns include dividends and, unlike Fund returns, do not reflect fees or expenses.

Past performance does not guarantee future results. Investment return and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold.